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BUDGET ESTIMATES FOR THE FINANCIAL YEAR 1960

WORKING CAPITAL FUND

Report of the Secretary-General

1. In various reports<sup>1/</sup> to the General Assembly at its thirteenth session the Secretary-General indicated the probability that the United Nations would not have sufficient funds during the second quarter of 1959 to meet its payment obligations, unless its Working Capital Fund was substantially increased or recourse was had to borrowing.
2. In his report of 19 September 1958 on the Working Capital Fund<sup>2/</sup> the Secretary-General set forth the considerations which, in his judgement, demonstrated the need for a Working Capital Fund at a level of some \$30 million. The General Assembly agreed an increase to the level of the Fund to \$23.5 million for the financial year 1959. At the same time in resolution 1341 (XIII) it authorized the Secretary-General, in the event of urgent need in 1959, to borrow cash from special funds and accounts in his custody for purposes which normally relate to the Working Capital Fund, subject to conditions set out in report A/C.5/743 and on payment of normal current rates of interest.
3. As anticipated, during June and early July 1959 it was necessary for the Secretary-General to exercise this borrowing authority in order to maintain minimum cash balances in operating bank accounts to cover salary payments to the staff and other pressing payment obligations of the Organization.

<sup>1/</sup> A/C.5/743, A/3825 and Corr.1, A/3826.

<sup>2/</sup> A/C.5/743.

4. Despite the fact that one million dollars had been borrowed on 17 June 1959 from the Special Account of the Expanded Programme of Technical Assistance there was a cash balance of only \$178,000 in the Working Capital Fund as at 30 June 1959 and it became necessary on 3 July 1959 to borrow another one million dollars from the Special Fund. The borrowed amounts were repaid on 6 July 1959 when a large contribution was received.

5. There has been no significant improvement during the first six months of 1959 in the previous pattern of payments of contributions. It is therefore necessary on the basis of past experience to face a situation in which the Working Capital Fund may be entirely depleted as early as March/April 1960.

6. In these circumstances the Secretary-General has no alternative but to request the General Assembly to continue the authority during 1960 which he has had in 1959, to borrow cash from special funds and accounts in his custody for purposes which normally relate to the Working Capital Fund. He would further suggest, since all the evidence, particularly if UNEF needs are to be provided for, points to the likelihood of the Organization having to rely to an increasing extent on short-term accommodations, that consideration also be given to the desirability of removing the present restriction which limits such recourse to funds temporarily available in special accounts under the Secretary-General's custody.

7. If, however, as the Advisory Committee and the General Assembly has urged, such authority is to be considered as an exceptional measure and not be treated as a normal financial practice - a concept which the Secretary-General unreservedly supports - some more permanent solution must obviously be found. There is, of course, no doubt that the most logical and economical solution would be the earlier payment, or at least partial payment of certain contributions. In the absence, however, of any firm assurance that present difficulties of a constitutional and administrative nature with which some Member Governments are confronted can be overcome, the necessity would seem inescapable to the Secretary-General of objectively reappraising the adequacy of a Fund of \$23.5 million. Certain of the factors which have a bearing on the cash position of the Organization and which therefore need to be taken into account in any such reappraisal are indicated in the Annex to this report.

8. The Secretary-General, for his part, considers that experience over the past twelve months has not modified but, on the contrary, has reinforced the judgement referred to in paragraph 2 above, to the effect that there is a demonstrated need for a Working Capital Fund at a level of some \$30 million. Given, however, a continuation and, desirably, an expansion of existing borrowing authority, he would not consider it imperative that the target increase to \$30 million be accomplished in 1960 but rather that it again be planned as a progressive operation, on the understanding that he would report developments to the General Assembly at its fifteenth, and, as necessary, subsequent sessions, and that, in the light of the situation then prevailing, the Assembly would have the opportunity of either confirming or modifying its decision on the matter.

9. On this basis, the Secretary-General believes that there is not merely ample justification, but urgent need, if the financial solvency and integrity of the Organization is to be regarded as of top priority, for an increase in the level of the Working Capital Fund in 1960 of the order of \$3 to \$4 million. Since, however, responsibility for safeguarding the Organization's cash position rests not with the Secretary-General alone, but equally with Member Governments through their individual and collective Assembly action, the Secretary-General refrains from submitting a formal recommendation at this time, pending further review of the situation by the Advisory Committee on Administrative and Budgetary Questions and subsequent expression of opinion in the Fifth Committee of the General Assembly. At this stage, the Secretary-General wishes only to call attention to the fact that his 1958 report (A/C.5/743) indicated an alternative way in which any increase that might be agreed upon could be given effect.

ANNEX

FACTORS BEARING ON THE CASH POSITION OF THE UNITED NATIONS

1. Pattern of payment of contributions

There has been no basic improvement in the pattern of payment of contributions over the past few years. The following table shows, at specified dates, the cash receipts from Members against current year assessments as a percentage of net<sup>a/</sup> contributions due.

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
	<u>Percentages</u>				
31 March .....	6.41	5.83	5.51	6.54	8.51
30 April .....	13.27	7.73	10.81	12.30	14.78
31 May .....	16.61	12.92	15.23	15.19	17.60
30 June .....	28.55	19.61	18.36	21.69	19.03
31 August .....	73.30	75.48	62.67	63.21	61.06
30 September .....	74.97	76.22	66.09	68.92	74.94
31 December .....	90.31	88.89	85.83	88.70	

<sup>a/</sup> Contributions due in cash after application of credits at time of assessment.

2. Arrears in contributions

The total amount of contributions outstanding at the end of the financial year has remained at a high level for a number of years and constitutes an automatic reduction in the cash available in the Working Capital Fund for the next year. The outstanding balances at the end of 1959 may again be as large as at the end of 1957.

Unpaid contributions

	<u>Current year</u>	<u>Prior years</u>	<u>Total</u>
	<u>United States dollars (amounts in millions)</u>		
31 December 1955	3.7	2.4	6.1
31 December 1956	4.9	2.2	7.1
31 December 1957	6.1	2.7	8.8
31 December 1958	5.3	2.5	7.8

/...

### 3. Cash and investments in the General Fund and the Working Capital Fund<sup>b/</sup>

The following table shows, at specified dates, the cash balances of the Organization available for regular budgetary purposes.

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
	<u>United States dollars</u> <u>(amounts in millions)</u>				
31 March .....	11.9	7.7	8.7	7.7	6.3
30 April .....	11.3	4.6	7.4	6.7	7.5
31 May .....	9.2	4.2	7.1	5.5	5.1
30 June .....	11.1	4.9	5.7	4.6	2.4
30 September .....	19.0	17.8	16.0	15.0	20.7
31 December .....	16.0	16.9	15.0	12.9	

Despite a \$1.5 million increase in the level of the Working Capital Fund and a \$1 million loan from the Expanded Programme of Technical Assistance, the cash balances on 30 June 1959 were substantially lower than those at the same date in 1958.

The improvement in the position at 30 September 1959 in comparison with the position one year earlier arises from the fact that certain Governments who normally pay in December made appreciable contributions in September 1959.

### 4. Budgetary disbursements

The following table shows the disbursements to the end of each month specified as a percentage of the year's total budgetary disbursements. The pattern of disbursements remains fairly constant.

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
	<u>Percentages</u>			
31 March .....	22.03	22.61	23.52	21.45
30 April .....	31.95	32.80	31.10	28.63
31 May .....	39.47	40.88	39.28	36.15
30 June .....	47.00	48.23	46.41	43.45
30 September .....	73.41	74.88	74.39	70.38
Total of annual budgetary disbursements (\$US millions)	\$49.8	\$51.6	\$53.6	\$59.3

<sup>b/</sup> Approved level of the Working Capital Fund: 1955, \$21.5 million; 1956, \$20 million; 1957 and 1958, \$22 million; 1959, \$23.5 million.

5. Contributions due and received as at 31 October 1959

	<u>Total amount assessed</u>	<u>Amount received (including credits)</u>	<u>Balance due</u>
	<u>(in United States dollars)</u>		
Working Capital Fund	\$23,500,000.00	\$23,438,858.00	\$ 61,142.00
1957 contributions	49,088,050.00	49,022,397.28	65,652.72
1958 contributions	51,500,000.00	48,862,044.82	2,637,955.18
1959 contributions	61,500,000.00	49,449,964.60	12,050,035.40
UNEF 1957 assessments	15,028,988.00	10,656,351.49	4,372,636.51
UNEF 1958 assessments	25,000,000.00	16,531,627.00	8,468,373.00
UNEF 1959 assessments	15,205,000.00	8,578,930.00	6,626,070.00

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